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This single chapter on selling U.S. products and services is excerpted from the FY 2005 Country Commercial Guide for Oman. The full text of the report is also available on this website.

Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

Foreign companies wishing to distribute their products in Oman face a local agent requirement but are no longer legally required to enter into exclusive agency agreements. In special cases, as when the government has directly approached a foreign firm, the agency requirement may be waived altogether. Further, in August 2000, a ministerial decision was issued eliminating the restriction that only majority Omani-owned companies could obtain import licenses. Agents are also useful, though not legally required, for sales to the Omani Government. Constrained budgets encourage government procurement officials to buy direct; however, in practical terms, it is still difficult for foreign firms to sell to the government without an Omani agent scouting for and bidding on tender opportunities. As in other Gulf countries, personal contact is the key to success in trade relationships.

If a foreign manufacturer or supplier does enter into an exclusive agency agreement, it is not permitted to sell or distribute the specified product, good, or service itself or through another agent or broker, except for the exemption on bringing goods in through ports or airports. An importer bringing in goods covered by an agency agreement must pay that agent a five percent commission if the goods are brought into Oman overland, but this requirement is waived if the goods are brought in via ports or airports.

Separate agency agreements for the Northern Region (Muscat Area) and the Southern Region (Salalah) are permitted. The manufacturer or supplier may not unilaterally terminate the agency agreement except

where there is an unjustifiable breach of agreement by the agent. Agency agreements must be approved by the Oman Chamber of Commerce and Industry (OCCI) and registered with the Registrar of Agents and Commercial Agencies of the Ministry of Commerce and Industry (MOCI). The practical effects of this regulation on a foreign supplier are substantial: the MOCI may prohibit the importation of goods and merchandise of suppliers who do not have an independent commercial agent registered in Oman.

Regional food shows provide good opportunities to meet importers and distributors. Many importers visit international food shows such as SIAL (Salon International de L'Alimentation, in France) and ANUGA (major set of food trade shows in Germany), as well as U.S. food shows such as the FMI (Food Marketing Institute.) Exhibiting in such shows has proven to be a sound strategy for many U.S. companies. In terms of locating an agent, the Embassy's Commercial Section can provide details and background on major Omani companies. In addition to consulting the Embassy, personal visits to potential agents are recommended. Due to the complexity of Omani regulations, it is useful to obtain legal counsel before drawing up an agency agreement. While the Embassy's Commercial Section offers general information on Oman's commercial regulations, formal legal counsel is advised for specific questions on labor, investment and tax laws, licensing procedures, and for the resolution of commercial disputes. The Embassy's Consular Section maintains a list of local attorneys, including those specializing in commercial law. The Consular Section can be reached at: TEL (968) 24 698-989, FAX (968) 24 699-189. Commercial office space is readily available in Oman.

Establishing an Office

The main steps in establishing a local office in Oman after locating a local agent is to register at the Ministry of Commerce and Industry (<http://www.mocioman.gov.om/>). Depending on the size of the business, the company may be required to register at the Oman Chamber of Commerce and Industry (<http://www.chamberoman.com/>). In terms of registering a franchise, in addition to the steps above, it is required to register at the local municipality (for example, Muscat Municipality, on-line at <http://www.mctmnet.gov.om/>).

Franchising

A number of U.S. franchises are well established in Oman, particularly in the fast food restaurant sector.

U.S. fast food and casual dining restaurants are popular in Oman, particularly with the younger generation. Most major U.S. fast food franchises are established in Oman (McDonalds, KFC, Pizza Hut, Hardees, Subway, Chili's, and Starbucks), with new ones opening regularly. Relatively high per capita income, a young population, a high rate of unaccompanied expatriate population and the lack of alternate entertainment venues encourage out-of-home dining. U.S. car rental franchises (Hertz, Budget, Avis, Thrifty, and Pay-Less) are also popular. Omani businessmen continue to express interest in U.S. franchise opportunities.

The legal requirement for franchising in Oman consists of a formal contract between the principal and the local agent. Agency agreements must be approved by the Oman Chamber of Commerce and Industry (OCCI) and registered with the Registrar of Agents and Commercial Agencies of the Ministry of Commerce and Industry (MOCI) and the local municipality.

Direct Marketing

Advertising is most commonly done through newspapers. There are three daily English language newspapers in which companies can advertise: the Oman Daily Observer, Oman Tribune and the Times of Oman, each of which publishes business supplements and is read predominantly by expatriates. The three major Arabic dailies: Oman, Al-Watan and Al-Shabiba reach a broader Omani audience and are also published seven days a week. Two independent business monthly magazines, Business Today and Oman Economic Review, began publication in 1998, and the English language weekly The Week began publication in 2003. Advertising is also possible on Omani television and radio and on limited highway signs. There are no private radio or television stations, although a royal decree in 2004 provided a framework for the future development of private media outlets in the Sultanate. It is possible to advertise on the Internet and cell phones via Omantel's cellular network (Oman Mobile). Many groceries and restaurants also distribute flyers in residential neighborhoods.

Direct marketing is possible to the food-processing sector, particularly in vegetable oils (including corn oil, soybean and sunflower-seed oils), beverage bases, dried pulses and a variety of food ingredients for the snack food and bakery industries. The growing hotel and restaurant industry provides additional opportunities for direct marketing.

Joint Ventures/Licensing

The Omani government welcomes foreign capital and provides incentives to investors. It looks to the private sector to invest in tourism projects, higher education, agriculture, services, and light industry. It also seeks foreign investment for the technical expertise it brings and the training it provides to Omanis. In accordance with Oman's accession to the WTO, certain changes were made to the foreign investment regime, including the relaxation of restrictions on majority foreign-owned investments and the elimination of tax discrimination against majority foreign-owned companies in Oman.

The United States Government acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60 percent of U.S. exports are sold by American firms with operations abroad. Recognizing the benefits that U.S. outward investment brings to the American economy, the United States Government undertakes initiatives that support U.S. investors, such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty (BIT) negotiations and other business facilitation programs. The Omani government is considering a proposed update to the bilateral Investment Incentive Agreement with OPIC, and Free Trade Agreement negotiations set to begin in 2005 will include an investment chapter. Oman is also a designated beneficiary for the Generalized System of Preferences (GSP) program, which assists Oman in exporting selected products to the U.S. with preferential tariff treatment.

Several Omani firms have entered into licensing agreements with American technology providers, including Johnson Industries, FMC, Gorman Rupp, and Midrex Technologies. In addition, Dow Chemical has entered into a large-scale joint venture with Oman Oil Company and the Omani Government to develop a petrochemical complex in Sohar.

Certain classes of goods require a special license (e.g., alcohol, firearms, pharmaceuticals, and explosives), while certain key consumer goods and other items are exempted from customs duty.

Examples of the latter include currency, seeds, fertilizers, live plants, agricultural implements and insecticides, books, refined petroleum products, and basic food commodities, such as rice and meat.

All media imports are subject to censorship; for example, the Ministry of Heritage and Culture may reject or expunge morally or politically sensitive material from imported videos. The Ministry of Information delays or bars the entry of magazines and newspaper editions if it takes exception to a story on Oman or deems the content morally suspect. In practice, the effect of this censorship on non-pornographic materials is usually mild.

Selling to the Government

All major civilian projects and acquisitions for the government are channeled through an independent Tender Board comprised of senior government officials and staffed by professional technocrats. Petroleum Development Oman (PDO) runs its own tender board, as do the Royal Oman Police, the Diwan of Royal Court, Oman Telecommunications, and the Ministry of Defense. While the central Tender Board earns generally high marks for transparency and fairness, the other specialized tender boards do not enjoy similar reputations for openness in every case. Although not a party to the WTO Agreement on Government Procurement, Oman is negotiating its accession to the Agreement.

Public tendering is required for all purchases above 10,000 Omani Rials (\$26,000) by ministries, government agencies, and public corporations. Ministries can award contracts through their internal tender boards for projects up to 250,000 Omani Rials (\$650,000). Projects exceeding this amount must be referred to the Tender Board, which determines the terms of bidding, invitations for bids, and selection of firms for awards.

In order to submit a bid, firms should have an Omani sponsor or partner and must be registered with the Ministry of Commerce and Industry and with the Tender Board. However, the Tender Board will accept a bid from a firm without an Omani sponsor if the company is new to the Omani market and does not have time to secure a sponsor prior to submitting the bid. A sponsor is advisable given the need for local follow-up and knowledge of the market. A temporary deposit in the form of a bank guarantee for two percent of the value of the tender is required.

In special cases as when the government directly approaches a foreign firm, the agency requirement may be waived altogether. Further, in August 2000, a ministerial decision was issued eliminating the restriction that only majority Omani-owned companies could obtain import licenses. Constrained budgets encourage government procurement officials to buy direct; however, in practical terms, it is still difficult for foreign firms to sell to the government without an Omani agent scouting for and bidding on tender opportunities.

Contracts are generally, but not necessarily, awarded to the lowest bidder. The Tender Board takes into account factors other than price, such as past performance, experience, financial responsibility, compliance with registration procedures, proposed local content, and percentage of Omanization (i.e., employment of Omani nationals) of the firm. Broadly speaking, price appears to be the primary factor in decision-making, and Omani-registered firms are granted a ten percent price preference. If Omani products are unavailable or do not conform to technical specifications, products of GCC origin are preferred to foreign products, with a five percent preference margin. After notification of an award, final

negotiations concerning clarifications and adjustments take place before the contract is executed. Sixty days usually pass from selection through award notification to signing of the contract.

Although there are frequent delays in evaluation of bids and awarding of tenders for major projects, Tender Board proceedings are generally regarded as fair, with measures in place to eliminate malfeasance or bias toward a particular bidder. The Tender Board has improved its efforts to publicize bids to international companies, particularly through the development of a website (www.tenderboard.gov.om). In addition, tender announcements are published in the widely circulated Middle East Economic Digest, in the Official Gazette, and in local newspapers. The Oman Chamber of Commerce and Industry website (www.chamberoman.com) lists tender opportunities as well as offering a tender updates service free of charge. Tender opportunities are published in English and in Arabic. Procedures for appeal are specified in the Tender Law and regulations.

The members of the Tender Board include the following: the Minister of Transport and Communications (chairman); the Minister of Regional Municipalities, Environment, and Water Resources (Deputy Chairman); the Ministers of Civil Service, Manpower, and Social Development; and the Under Secretaries of Finance, Transport and Communications, and Commerce and Industry. In addition, the Tender Board professional staff includes a Secretary General, a Director General, and various contract experts and technocrats responsible for administering the tender process.

Distribution and Sales Channels

Most goods enter Oman through Port Sultan Qaboos in Muscat. A welldeveloped road infrastructure links almost all points in the country. Many goods enter Oman overland after arriving at ports in the UAE. Numerous logistics, transport, and retail companies serve the domestic market.

The Port of Salalah, located some 1,000 kilometers down the coast from Muscat in southern Oman, has established itself as a leading container transshipment center on the Indian Ocean Rim since its November 1998 opening; it also handles import/export shipments on a limited basis. Maersk is the principal customer of the port. Port Salalah is the only port between Europe and Singapore that can accommodate S-class container vessels – the world’s largest. Government plans to establish a free trade zone at Salalah adjacent to the port have the potential to make Salalah a major air-sea cargo hub and a center for industrial development. The government is also building a new port at Sohar to facilitate several major industrial projects planned there.

Private supermarkets account for 65 percent of retail food sales, and this sector is expanding. Wholesale markets account for an estimated 20 percent of food products marketed in Oman, while institutional users account for the remaining 15 percent. The distribution channel is as follows: the importer/agent first sells to private supermarkets, the wholesale market, and institutional users. The wholesale market then sells directly to consumers, to contractors, and to small supermarkets and restaurants. Generic and brand supermarket promotions are very common in Oman and are commonly employed by both exporting countries and companies. Newspaper advertisements and inserts are most commonly used for food and other products. TV advertising, while very effective, is expensive. Food product margins typically run 15-20 percent for distributors, 7-10 percent for wholesalers and 10-15 percent for retailers. Oman does not apply a valueadded tax (VAT).

Oman has no general provisions for the temporary entry of goods. In the case of auto re-exports, a company can import vehicles into the country for the purpose of reexport and have the duties refunded if it re-exports the vehicles within six months. The government has established a free-trade zone along an interior border crossing point with Yemen (al-Mazyounah), but the project is small scale with little prospect for attracting overseas investors. However, plans for a large scale free trade zone in the port of Salalah may permit a number of incentives, including the foreign ownership of firms; reduced or deferred corporate taxes; extended period for re-exports; availability of hard currency and financing; favorable rental charges; reduced local content requirements; and lower customs duties and Omanization requirements. As originally designed, the project's first phase will develop over 500,000 square meters of rentable space, while the overall multi-phase master plan covers the development of 6,000 hectares, offering space for distribution, industrial, and light manufacturing units.

Selling Factors/Techniques

The first phase of the GCC Customs Union was put into effect on January 1, 2003. However, the new union still has teething problems, which GCC officials hope to overcome in the final two phases of implementation. Common GCC labeling standards of imported goods is one of the key issues. Presently, labels must be printed in Arabic and English, although some items are sold in the market without proper Arabic labels. For packaged food products, the dates of manufacture and expiration must be printed on the label or elsewhere on the container. Production and expiration dates affixed with stick-on tape are not acceptable. Many U.S. firms consider Omani shelf-life limits more restrictive than scientifically necessary. Major slaughterhouses in the U.S. are able to offer Halal supervision.

Electronic Commerce

Oman Tradanet specializes in Business-to-Business services: Oman Tradanet LLC (<http://www.otn.com.om/>). Other sites specializing in e-commerce applications are Petroleum Development Oman (<http://www.pdo.co.om/>), Oman LNG (<http://www.omanlng.com/>), and Knowledge Oasis Muscat (<http://www.kom.om/>).

Trade Promotion and Advertising

Oman International Trade and Exhibition (<http://www.oite.com/>) and Omanexpo (<http://www.omanexpo.com/>) are Oman's leading local and international trade and exhibition organizing companies in Oman. In terms of advertising trade shows, most promotion occurs in the local newspapers. Oman has three national Arabic dailies and three English papers published daily. Radio Sultanate of Oman's FM English service broadcasts 15 hours daily in Muscat, Salalah, and Thumrait. Except for government offices, most commercial building signs and road signs are in Arabic and English.

Pricing

Pricing formula for a product in Oman involves the cost of production, which includes the raw material and labor, distribution, promotion and advertising, taxes and customs. Taxes usually are on the company's profit, which does not include value added tax (VAT). Other taxes cover municipality, tourism, and labor related tax upon issuance of a work visa. Many companies pass such burdens on to their customers in the form of increased prices. Most restaurants in Oman charge municipality and tourism taxes in their invoices.

Sales Service/Customer Support

After-sales service and customer support for foreign products are performed by local sales and service agents.

Protecting Your Intellectual Property

(For a more detailed treatment of Intellectual Property Rights protection, please refer to Chapter 6 – Investment Climate Statement).

In 1996 Oman enacted a copyright protection law. However, the law was not enforced until April 1998 through a ministerial decree, which extended protection to foreign copyrighted literary and technical materials, works of graphic and plastic arts and sound and video recordings. A foreign copyrighted work must be registered with the Omani government by presenting a copy of the work to the government and paying a fee in order to receive protection. In terms of audio and videocassettes, the government has enforced a copyright protection for these items since January 1999 and destroyed stocks of pirated cassette seized from vendors. In addition, the government declared that retailers must terminate the importation and sale of non-licensed software.

In mid-2000, the government introduced new, WTO-consistent intellectual property laws on copyrights, trademarks, industrial secrets, and integrated circuits. Further, in October 2000 Oman issued new, WTO-consistent legislation to protect patents and other intellectual property rights.

Oman has joined the World Intellectual Property Organization (WIPO), and asked WIPO to register Oman as a signatory to the Paris and Berne conventions on intellectual property protection. Although not yet a party to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (the WIPO “Internet Treaties”), the government of Oman has indicated it plans to accede to them in the near future.

Due Diligence

The Commercial Section at the U.S Embassy offers business counseling, export promotion services, and a wealth of information on opportunities and companies in the Omani market. For Omani firms, we offer a wide range of resource information on U.S. export products, new technologies and trade-related programs and events. We offer the following services: International Partner Search, International Company Profile, Customized Market Analysis, and Gold Key Service. For additional information about our services, please visit our website: <http://www.buyusa.gov/oman/en/19.html>.

Local Professional Services

<http://www.buyusa.gov/oman/en/marketing.html>

Web Resources

Commercial Section (U.S Embassy, Muscat)

<http://www.buyusa.gov/oman>

Oman Chamber of Commerce and Industry

<http://www.chamberoman.com/>

The Omani Center for Investment Promotion and Export Development

<http://www.ociped.com/>

Ministry of National Economy

<http://www.moneoman.gov.om/>

Ministry of Commerce and Industry

<http://www.mocioman.gov.om/>

Ministry of Information

<http://www.omanet.om/>

Oman International Trade and Exhibition

<http://www.oite.com/>

OMANEXPO LLC

<http://www.omanexpo.com/>

Please Note: Country Commercial Guides are available to U.S. exporters on the website: <http://www.export.gov>. They can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

U.S. exporters seeking further recommendations for trade promotion opportunities in Israel and country-specific commercial information may also wish to visit the website of the U.S. Commercial Service in Israel <http://www.buyusa.gov/oman>

Travelers may wish to obtain the most recent travel advisory from the U.S. Department of State at www.state.gov

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** of the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to one of the following websites: www.usatrade.gov or www.tradeinfo.doc.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.